

ECONOMIC SECURITY ACT

FRIDAY, FEBRUARY 1, 1935

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D. C.

The committee met, pursuant to call, at 10 a. m., in the Finance Committee Room, Senate Office Building, Senator Pat Harrison, chairman, presiding.

Present: Senators **Harrison** (chairman), King, Connally, Costigan, Clark, Byrd, Lonergan, Black, Gerry, Guffey, Couzens, Keyes, Hastings, and Capper.

The **CHAIRMAN**. The committee will come to order.

STATEMENT OF ROBERT JOLLY, OF HOUSTON, **TEX.**, CHAIRMAN OF JOINT COMMITTEE AND PRESIDENT AMERICAN HOSPITAL ASSOCIATION

The **CHAIRMAN**. You represent the American Hospital Association?

Mr. JOLLY. I represent the committee of the American Hospital Association, the Catholic Hospital Association of America, and the Protestant Hospital Association of America.

The **CHAIRMAN**. Proceed.

Mr. JOLLY. The joint committee of the American Hospital Association, the Catholic Hospital Association of America, and the Protestant Hospital Association of America, referring to S. 1130, respectfully submit to the consideration of the Committee on Finance of the Senate the following which we suggest be adopted as amendments to S. 1130.

1. That all hospitals organized and operated "not for profit" and no part of whose earnings accrues to the benefit of any private person or individual be totally exempt from the payment of any taxes imposed by this bill.

2. That no provision of this act be ever interpreted as prohibiting or preventing the use of funds made available under this act for disbursement to a public or private nonprofit charitable institution for any service rendered to any person who is a beneficiary of this act, and that no person otherwise a beneficiary of this act be deprived, by reason of being an inmate of a charitable institution, of benefits provided by this act.

I would like to give the reasons for presenting this:

1. The three hospital associations represented by the joint committee speak for a total of 6,437 hospitals in the United States. Of this number 1,776 are Government hospitals, leaving 4,661 hospitals not Government owned.

The **CHAIRMAN**. You are speaking now of the unemployment-insurance tax, old-age tax, and what not?

Mr. JOLLY. Yes, sir.

Of these 4,661 hospitals, approximately 4,500 are nonprofit hospitals. The others not being organized "not for profit" are excluded from our recommendations. These nonprofit hospitals are truly public-service corporations and as such have a partnership with the Government in providing for the general welfare and in the execution of the plan embodied in the bill for the relief of indigency and distress in the interest of greater social security.

2. Nonprofit hospitals are not industries but they are charities, organized and operated for the common weal, without thought of profit and with the only purpose of affording to the maximum limit of their resources adequate hospital care for all our people when and as needed.

3. Nonprofit hospitals are unlike industries in that they do not experience heavy fluctuation in employment of personnel during periods of depression, but with the increase of hospital care given, particularly in assuming the increased load for the care of indigent and unemployed, hospitals maintain a rather definite standard of numbers of employed personnel; the ratio of employed personnel to patients remaining practically the same during all periods.

You see, we cannot fire people and take them back as the load comes on and goes off. We have to have a continuous personnel, because a hospital has to be ready at 15 minutes' notice to take care of everything that comes in; so we have to have our personnel at all times.

4. Heavy withdrawals from the income of nonprofit hospitals for the purpose of this or other taxes reduces by the amount withdrawn the financial ability to give hospital care to the indigent and unemployed.

If we should have to pay this tax, that would take just that much money out of our hospitals to take care of the indigent people that come in. A nonprofit hospital is one that is organized not for profit, and any money that comes into the hospital from pay patient; over and above what it costs absolutely to take care of that patient goes to take care of the indigent patients. If we had to pay taxes, this money would be taken out of our treasury and we could not take care of all of the indigent patients that we take care of.

5. Nonprofit hospitals have no opportunity through the increase of their rates for service to cover the costs incident to unemployment insurance, as industries and commercial enterprises have.

A commercial enterprise can put an extra charge on its sales and get its money back. Hospitals cannot do that. We have just about a set figure that you can charge for hospitalization. If you charge more, the people cannot come and they do not come, so we cannot change our prices up and down in hospitals. We have to keep them pretty uniform all the way through. We cannot do things like industries do, we do not want to be classed that way-as an industry. We are not operated as an industry.

The **CHAIRMAN**. What is the provision of the bill for exemptions?

Mr. **JOLLY**. There is none.

The **CHAIRMAN**. There are no exemptions?

Mr. **JOLLY**. No, sir; hospitals are not mentioned.

Senator **COUZENS**. You do not have much of a problem of unemployed men, do you?

Mr. JOLLY. We do not, because we have to keep about the same number of people in the hospital all the time. Instead of turning people off, we reduce their salaries. Some hospitals reduced their salaries 50 and some 60 percent. I know some hospitals where the hospitals had their people work the last year for nothing, just for their room and board, because of their love of the hospital and of the work.

The CHAIRMAN. States can make their proper exemptions and so forth, but your anxiety is that this tax imposed by the Federal Government would be a burden upon the hospitals unless an exemption were written into the law?

Mr. JOLLY. Yes, sir.

6. Unemployment in hospitals has not been a serious factor in hospital problems.

7. Employment in hospitals is dependent upon the amount of sickness and not upon the condition of industry.

8. The hospital load tends to increase during periods of general unemployment. That is, the indigent load increases. The pay load decreases because people cannot afford to come. But our receipts are lowered and the indigent come in larger numbers.

9. Nonprofit hospitals in such periods meet their financial problem not by the discharge of employees but through the reduction of salaries and wages, and that as a consequence an enforced payment into an unemployment pool would result in a reduction in the salaries and wages of employees in hospitals without their ever being able to draw any appreciable result.

As I said a moment ago, I can tell you some hospitals who made this sort of an arrangement, with their workers and the people on the pay roll. They said, "We will pay you for the food and supplies in the hospital, and when that is all done, whatever is left we will divide up among the folks that work here", and there are some hospitals that have been working that way in the last 3 or 4 years.

10. The annual pay roll of the nonprofit hospitals of America amounts to \$121,500,000. The pay roll of hospitals constitutes about 30 percent of the total cost of operation.

So you see, if you put that tax on our pay rolls, what you do with the hospitals. A lot of them would have to close. A lot of them have already closed up. Over 400 hospitals have closed in the last 5 years. There has been too big a pressure, too big a squeeze; they could not go on. I say that about 30 percent is about the average expense of the hospitals—that is the average. In some places it is more. In Cleveland, Ohio, it is 55 percent of the expense of the hospital allocated to pay roll.

The CHAIRMAN. Was this matter presented to the President's committee when they were drafting the bill?

Mr. JOLLY. No, sir.

The CHAIRMAN. You had no opportunity to know just what was going on until these bills were introduced?

Mr. JOLLY. No, sir; we did not see the bill until it was printed and sent out.

The CHAIRMAN. Very well, proceed.

11. Hospitals have had an increased burden of indigent sick without Government relief except in 3 or 4 States. Relief agencies have fed and clothed and housed the indigent but the moment they need hos-

pitalization the relief agencies have taken the attitude that the hospitals always have cared for the indigent so let them do so now, ignoring the fact that in addition to an increase of free patients the hospitals have had a falling off to earnings from pay patients and a falling off of donations from philanthropically minded people to about 40 percent of what such donations were in 1929 and 1930.

The **CHAIRMAN**. What was been the policy of relief organizations with reference to these hospitals? Don't they pay them something?

Mr. **JOLLY**. No, sir; there was some arrangement in the C. W. A. for a little while, but that was pulled out. What the hospitals got there for taking care of a patient was \$2. 50 a day for the whole time, but the doctor got his money first. Our own hospital in Houston got nothing from the C. W. A. funds. We cannot get anything from the relief agencies, State or Federal. We have had to take not only the burden that we have always had, but this increased burden. When a relief patient comes to the hospital, the relief agency says, "Hands off for us", and the entire burden is placed upon the hospital.

Senator **COUZENS**. When you say "relief agency," you mean Government relief agencies?

Mr. **JOLLY**. **Yes, sir.**

Senator **COUZENS**. The private relief agencies have always taken care of you through community drives, and so forth?

Mr. **JOLLY**. Yes. I am talking of the governmental agencies. If it were not for the fact that we can get some donations, there would have been four or five hundred other hospitals closed up, but remember that has been decreasing too down to 40 percent, and a lot of the hospitals that have endowments, the money that they have had from endowments, the capital has not decreased but the dividends from endowments in some instances have gone down to almost nothing, so that they have nothing to run on.

12. Nearly 400 voluntary nonprofit hospitals ceased operation in the past 5 years because the financial burden became too heavy.

This is signed by the chairman of the joint committees.

The **CHAIRMAN**. Let me ask you, what are the views of your organization with reference to the provisions in the bill for Federal contributions to States for health and crippled children.

Mr. **JOLLY**. We are for both. We think it is a good thing. We believe in the whole thing, but we do believe that the hospitals, who have been carrying this load through all of the years, and are still carrying the load, and an increased load, ought to be exempt from the taxation. We think that all of the people who work for us ought to participate in the benefits of this, but we do not believe that our people nor the hospitals ought to be taxed to take care of that.

The **CHAIRMAN**. I think the committee understands your viewpoint.

Mr. **JOLLY**. Thank you very much.

Senator **COUZENS**. Do you object to the contributions for the old-age pensions?

Mr. **JOLLY**. Yes, sir; we feel like we ought to be exempt from all of it.

Senator **COUZENS**. Old age and all?

Mr. **JOLLY**. Yes, sir.

The **CHAIRMAN**. Thank you very much.